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C O N F I D E N T I A L SECTION 01 OF 02 KABUL 000217

SIPDIS

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TAGS: [EMIN](#) [EINV](#) [ENRG](#) [PREL](#) [SENV](#) [AF](#)

SUBJECT: Hajigak Iron Mine Tender Likely to be Canceled

REF: A. 09 Kabul 3574

[1](#)B. 09 KABUL 3101

[1](#)C. 09 KABUL 3035

Classified By: CDDEA Ambassador E. Anthony Wayne for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: The World Bank's Mining Advisor Craig Andrews (strictly protect) reports Mining Minister Shahrani is planning to contact the short-listed bidders for the massive Hajigak iron ore mining project (ref A) to inform them not to send in bids due February 15. The Hajigak tender package will be restructured (presumably streamlined) and re-opened at a later date, allowing for a greater range of bidders, including potentially U.S. and other Western companies. Minister Shahrani has told us of broad plans to vitalize the mining sector and his ministry. He stressed to CDDEA Ambassador Wayne, among others, his desire for close collaboration and U.S. support in his efforts. Shahrani has also proposed a ministry-led donors conference in April and a conference for investors, civil society, donors, and the Afghan government in May, possibly on the fringes of the Kabul conference if that meeting goes ahead in the spring. The Embassy has offered extensive support to the Ministry of Mines and is working with other donors and U.S. agencies to engage in the mining sector, especially as this sector holds great promise for wealth and revenue generation. End Summary.

[1](#)2. (C) The tender process for the multi-billion-dollar Hajigak iron ore mine in Bamyan (near the border with Wardak province) had earlier been publicly postponed till February 15. On January 20, World Bank Mining Advisor Craig Andrews (strictly protect) confided to us that Mining Minister Shahrani had decided the day before to restructure and rebid the Hajigak package. Minister Shahrani, was reportedly disappointed that all but one bidder (the Saudi-Pakistani joint venture Tuwairqi Steel Mills) had dropped out of the running. Reportedly, Chinese state-owned company China Metallurgical Group (MCC), which operates the Aynak copper mine, informed the Ministry by email at the end of December that it was no longer interested in bidding.

[1](#)3. (C) Ministry technical advisors tell us they are advising the new Minister (formerly the Minister of Commerce) to break up the Hajigak bid package, since it is obviously too large to attract significant interest. (Note: As reported Ref A, the public tender as it is now presented requires ambitious multiple operations: a coking coal mine, iron mine, thermal coal mine, power generation facility, ore processing, and steel manufacturing. Infrastructure experts also estimate the deposit's rail and/or conveyor system will be complicated by the deposit's 3,500 meter elevation. End note.)

[1](#)4. (C) No U.S., Canadian, or Australian companies submitted expressions of interest, according to a contact at the Ministry of Mines, who also previously described the Pakistani/Saudi company's bid as "not competitive". Now that it is the only bid, the Afghan government has good reason (and full rights under law) to close the current bidding and re-open with a restructured package. The World Bank's Craig Anderson added the Minister will seek to announce the re-bidding in a way that emphasizes the ministry's "evolving goals" and not the lack of bidders. The original short-listed companies will be invited to resubmit bids, and if any bids are received based on the current tender package, they will be returned unopened.

Comment

15. (C) Minister Shahrani had an hour one-on-one meeting with Coordinating Director of Development and Economic Affairs, Ambassador Wayne, on January 20. He detailed his plans to revamp not only large scale mining projects but also small- and medium-sized mining contracts and relevant regulations affecting marble, gems and other products. He reiterated his plans to have full transparency for all contracts and to revisit the unproductive tariff and revenue systems now in place. He stressed his desire to work very closely with the private sector, to the degree of giving the Marble Mining Association land on which to build a facility. He expressed deep appreciation for the help of USAID and the offer of support from Deputy Undersecretary of Defense Paul Brinkley. He said he very much looks forward to working with the U.S. Geological Survey. Shahrani said President Karzai has given him a broad mandate to clean up the Ministry and generate wealth and revenue. He will also lead the cluster of ministries dealing with infrastructure which will give Shahrani a role in such areas as energy and roads.

16. (C) Taking advantage of the confirmation of a new, business-focused Mining Minister with a reputation for rooting out inefficiency in his last ministry, Embassy Kabul has drafted and sent to the Afghan desk a mining sector engagement plan to help the Afghan government and people capitalize on the country's extensive mineral resources. USAID will place technical advisors in the Ministry to help build Afghan capacity to meet the new Minister's reform goals. The Mission is also reaching out to other agencies, including Commerce, the Trade Development Agency, the Overseas Private Investment Corporation, the U.S. Geological Survey, and Ministry of Defense business task forces. Other donor nations, ISAF, and

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relevant ministry advisors participate in the Embassy's new mining sub-working group. For information on the mining sector engagement plan or the mining sub-working group, please contact Elizabeth Mader (madere@state.gov or maderea@state.sgov.gov).

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